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DIRECTORATE OF  
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DIA and DOS review(s) completed.

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**[ NORTH VIETNAM:** Hanoi apparently is having some difficulty in formulating a proper response to the US announcement about the operation to rescue captured American airmen, presumably because it wants to condemn the action without acknowledging that US forces were able to move in and out of North Vietnam with impunity.

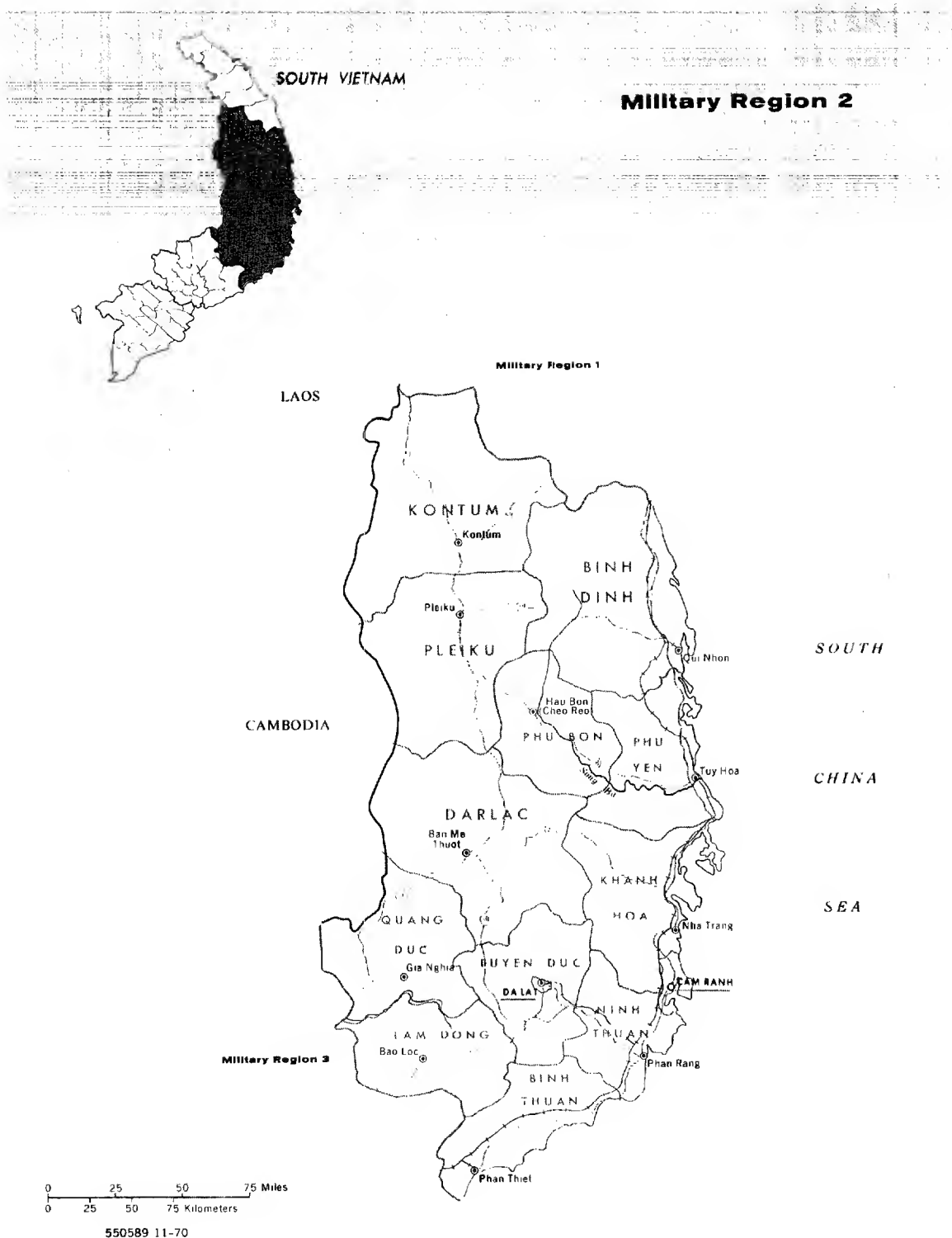
An initial North Vietnamese Foreign Ministry statement on Secretary Laird's disclosure called the operation a fabrication to cover up widespread US air raids well above the 19th parallel. Within hours of sending this statement to North Vietnamese news agencies abroad, however, Hanoi urgently ordered that it not be used and that the agencies wait for another statement.

The original version was brief and comparatively mild. There were no threats of military retaliation or a break in the Paris talks. It said that the attacks should stop and warned that "all adventurous acts would be smashed." [REDACTED]

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SOUTH VIETNAM: The new military region commander in central South Vietnam is making some important changes in tactics and leadership to strengthen the government's position there.

Major General Ngo Dzu, who assumed command of Military Region (MR) 2 last August, is chiefly concerned with the lack of aggressiveness on the part of the territorial security forces (Regional Forces and Popular Force) in the region. He has personally inspected the security forces and found ways to engender a sense of responsibility for their performance. With a new system of goals and quotas, Dzu claims that the ratio of enemy-to-friendly casualties has risen markedly since last summer. Dzu has also directed his two regular divisions to operate in small units rather than in the cumbersome multi-battalion operations of the past.

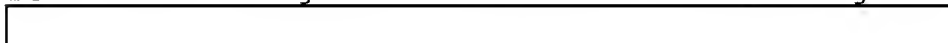
General Dzu will retain his two division commanders, whom he rates respectively as "satisfactory" and "adequate," but he has requested President Thieu to replace the province chiefs of Binh Dinh, Phu Yen, Phu Bon, and Tuyen Duc. Because Dzu considers Binh Dinh and Phu Yen as the least secure provinces in the region, he has ordered South Vietnamese Army units to assist in the pacification program there. He also wants the South Korean troops stationed in the region to use the newly adopted tactics of the territorial security forces, which include more night operations and ambushes to counter more effectively the low-key and guerrilla-type operations of the Communists.

General Dzu inherited many serious problems when he assumed command of MR 2 late last summer, but he has been praised by President Thieu for his performance in dealing with similar problems in the delta. He spends most of his time in the field and is confident that he can soon show real progress in

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the over-all situation. His introduction of new ideas, tactics, and plans, some of which have already been started, suggests that he may overcome some of the long-term difficulties of the region.



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BURMA: Rangoon is claiming that around the first of the year the exile forces of former prime minister U Nu will open military action against the Ne Win regime from their Thai bases.

The Burmese military attaché in Bangkok has told his US counterpart that, according to information the Burmese regard as reliable, military probes across the Burmese border by Nu's forces, totaling 1,000 men, would be complemented by attacks by his Karen and Mon tribal allies living along the Thai-Burmese border. Nu was expected to try to generate publicity by attacking lines of communication in Burma. The attaché said that Burma was readying its military forces along the border and felt confident of repelling any military adventures of Nu. He added that Nu's group "is known" to have made arms purchases recently and reiterated Burmese knowledge of Thai Government complicity in Nu's activities.

The attaché's passing of the information may have been intended to discourage any US contacts with Nu. The Rangoon press has commented on Bangkok's complicity with Nu and the Burmese may also calculate that the attaché's remarks will get back to the Thais and discourage their support of Nu.

There is no confirmatory evidence of Nu's plans for launching operations within the time frame presented by the Burmese, although he has been buying weapons to improve his limited military capabilities. Rangoon, while confident of successfully meeting any military challenge by Nu, is nevertheless concerned that the appearance of Nu's forces on the Burmese side of the border would increase his appeal to the disaffected Burmese populace.

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COMMUNIST CHINA: Peking is assessing its aircraft requirements, possibly in anticipation of expanding international air service.

In September the Chinese delegation to the Farnborough Air Show in the UK showed interest in such medium-range aircraft as the Trident and the BAC-111, although no orders were placed. [REDACTED]

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Both the Tridents and the BAC-111s have a range of around 2,000 miles and could be used on domestic routes and, with refueling stops, on some international flights. A route to Iraq, which recently ratified a civil air agreement with Peking, seems likely, as does one to Tanzania, where several thousand Chinese technicians are now working on the Tan-Zam railroad. China may also seek longer-range aircraft, such as the Soviet IL-62, to facilitate serving such routes as these. At present, China has regularly scheduled flights only to Burma, USSR, North Korea, and North Vietnam. [REDACTED]

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HUNGARY-USSR: Soviet Party boss Brezhnev has endorsed Hungary's domestic reform program.

In his speech to the Hungarian party congress yesterday, Brezhnev announced Moscow's "full understanding and high appraisal" of the program and made it clear that the Hungarian party's internal stability, loyalty to the USSR, and "principled approach to the solution of major problems" were central to his positive assessment. The endorsement will be viewed with relief because many Hungarians have been nervous over past Soviet reluctance to comment on the changes, which seek to liberalize political life by permitting popular participation in local government.

During his keynote speech on Monday, party chief Kadar affirmed Budapest's intention to establish diplomatic relations with West Germany once Bonn clears up its problems with Hungary's allies. Kadar noted that Bonn's failure to recognize East Germany is a potential obstacle to progress but he seemed to place more emphasis on West German "resoluteness" in continuing its Ostpolitik than on resolution of the problem of the two Germanies. This formula is probably meant to convey to East Germany that Hungary hopes the Ulbricht regime will be forthcoming in its talks with Chancellor Brandt.

The congress so far has been a political tour de force for Kadar. His speech, particularly his delineation of internal political reforms, was couched in terms calculated to reflect firm domestic stability, sober-minded confidence, and careful progressivism. So far there has been no dissent from conservative opponents of the reforms who were unusually vocal prior to the meeting; presumably Brezhnev's support for Kadar has intimidated them.

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YUGOSLAVIA: Belgrade has temporarily increased its imports from CEMA countries to counter a growing trade deficit with the industrial West.

This deficit had reached nearly \$760 million by the end of October, about one-third higher than the deficit for all of 1969. As a result of the shift in imports, especially evident in October, Yugoslavia's surplus clearing account balance with CEMA has been eliminated. By early November there was a net deficit of \$11 million compared with a \$43-million surplus reported last May. The most spectacular decline was in the surplus with the USSR--from \$35 million to \$3 million.

Nevertheless, this switch in imports probably is temporary. Deputy Foreign Trade Minister Snuderl recently indicated that long-term development plans call for a "maximum flow" of modern technology and capital from the industrial West. The government will continue to push for Western capital investments and to seek substantial credits from the World Bank for capital imports as well.

In spite of the current usefulness of barter surpluses, Yugoslav policy toward CEMA involves continued efforts to change trade to a hard currency basis. Yugoslavia has reached agreement with Czechoslovakia, Hungary, and Bulgaria to allow some industry-to-industry trade to be settled in hard currency. Prospects for elimination of clearing account trade, however, are dim.

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PAKISTAN: The government's initial slowness in handling relief efforts is having political repercussions in East Pakistan.

The government lacked the technical resources to handle relief operations for the victims of the cyclone and tidal wave. First estimates of damage by subordinate officials on the scene were low, causing the already slow bureaucracy's initial reaction to be completely inadequate. Later, when the scope of the disaster became clear, the government was unable to coordinate and absorb smoothly the massive relief effort mounted by foreign donors. Confusion within Pakistani agencies and communications difficulties over the 1,000-mile gap between the two wings of the nation as well as with foreign aid sources accentuated the problem.

There have been other lapses. The military services have not yet responded to the situation with their maximum capability. The air force is now playing a greater role in moving supplies but for reasons that are not clear it has still failed to transfer any helicopters or more aircraft from West Pakistan. Earlier allegations of India's refusal to allow overflights of such aircraft apparently are unfounded.

President Yahya Khan made an inspection of the stricken area shortly after the storm, but was then absent from the scene for ten days until he returned to East Pakistan on 24 November. Several Bengali politicians have severely criticized his absence and the government's "inadequate" response. Radical leftist leader Maulana Bhashani on 23 November even went so far as to call publicly for Yahya's resignation.

Such criticism, which echoes normal Bengali resentment of the West Pakistani - dominated government, may stem in part from hopes of exploiting

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the situation in the constituent assembly elections still scheduled for 7 December. Bhashani's party, however, has withdrawn its handful of candidates, most of whose electoral prospects did not seem bright, and the principal gainer may be the more moderate Awami League, the leading advocate of greater Bengali autonomy and the apparent front runner in East Pakistan. [REDACTED]

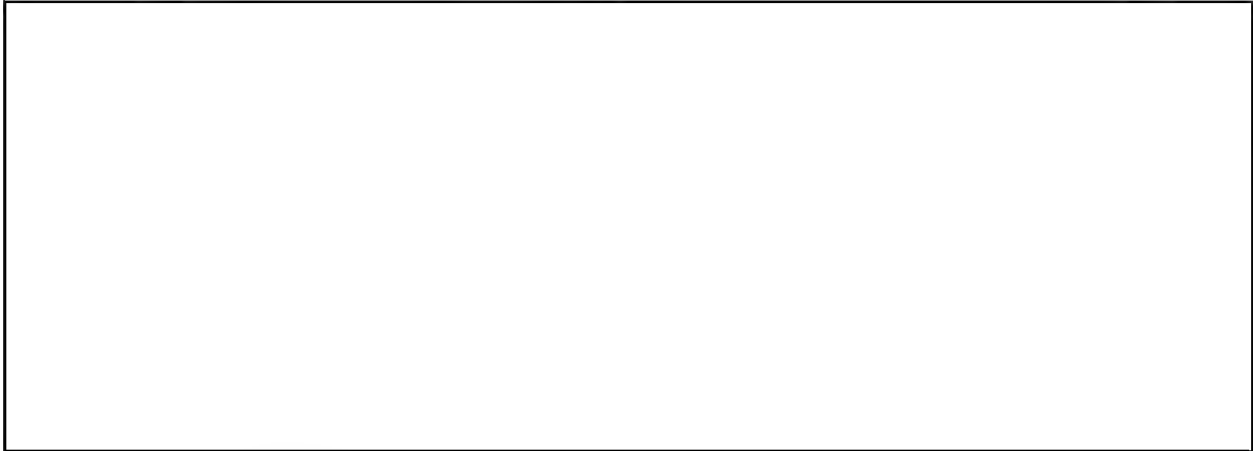
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MOROCCO: King Hassan may expect new concessions in return for continued US use of the communications complex at Kenitra. The King's principal aide suggested to the US ambassador early this week that it would be desirable "to evaluate together" the US presence in Morocco, "particularly the importance each nation attaches to the retention of that presence." The aide added that if his government's review led to the conclusion that the benefits to Morocco were not adequate to compensate for the political disadvantage, perhaps the US could do something to redress the balance. [REDACTED]

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IRAN - SOUTH AFRICA: The establishment of consular relations with South Africa last week is part of Iran's nascent effort to strengthen ties with nonradical states. The move, ostensibly made to protect the interests of about 500 Iranian workers in South Africa, will strengthen the economic ties between the two countries. Soundings of African opinions apparently have convinced the Iranians that criticism of the move would be minimal. Pretoria pushed hard for relations with Iran to help expand its overseas contacts for both economic and political reasons. [REDACTED]

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【 GUINEA: It now appears that part of the sea-borne commando force that invaded Conakry on 22 November withdrew as planned to the delivery ships after only a few hours on shore and that the bulk of the intruders had re-embarked by the next day. A limited number evidently were killed or captured and others are almost certainly still at large in Conakry along with some of the political prisoners apparently set free by the intruders. It seems increasingly likely that the force included both whites and African natives of Portuguese Guinea allied with the Portuguese. [REDACTED]

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ALBANIA: The leadership changes announced at the recent session of the People's Assembly, including three ministerial changes, appear designed to bring additional technically qualified younger people into the leadership. These are the first changes at this level since Albania embarked on a new domestic course in 1966. It is possible that deputy premier Haki Toska's removal resulted from his support for less rigid central economic controls. Toska, who is still a member of the party politburo, has criticized the central bureaucracy's "hesitation" in curbing excessive centralization, a position which seems to put him in opposition to his brother-in-law, Premier Shehu, who has opposed any weakening of state control. [REDACTED]

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